

The University of Iowa
Response to Joint Economic Development Appropriations Subcommittee
January 29, 2009

Direct economic development appropriations to the University of Iowa totaled \$264,325 in FY09 and were allocated to three different units:

- Operation of University Research Park - \$99,167
- Technology Incubation Center (TIC) - \$46,880
- Center for Advanced Drug Development (CADD) - \$118,278

University of Iowa Research Park (ORP) and Technology Incubation Center (TIC)

In FY09, the research park and TIC received a total of \$146,047 from this state appropriation and are leveraged with \$505,000 from the Grow Iowa Values Fund to support staff and operations that support 9 companies in TIC, and 6 companies in various other facilities on the park campus. As the tenant base in the park continues to grow, rental revenue helps offset additional expenses and this combination of funds have allowed us to expand our economic development activities dramatically over the past 5 years culminating in the dedication of a state of art new 35,000 sq ft wet laboratory incubator facility developed in conjunction with the Ryan Companies and the City of Coralville in December of 2008.

The park has provided managerial and support services for early stage companies, several of which were spun out of faculty generated research and IP. The newly opened Bioventures Center now allows us to actively recruit laboratory based technology companies; 6 companies are slated as the first companies to occupy the facility during its first months of operation. The menu of services includes library, internet, University core research facilities, access to student interns through the UI Pomerantz Career Center, business support from the Pappajohn Entrepreneurial Center and the Small Business Development Center, and SBIR and STTR grant development support.

In addition to the start-up companies mentioned above, the park houses 9 more established companies. In FY08, the 51 active Iowa companies affiliated with the ORP/TIC (current companies or “graduates”) employed nearly 1600 people. The park is home to several University core facilities including the National Advanced Driving Simulator, the University Hygienic Laboratory, the Center for Biocatalysis and Bioprocessing and the Center for Advanced Drug Development, all of which add value to various start up companies located in the park. In all, park affiliated companies and laboratories employ almost 2000 people with an annual payroll of more than \$100 million.

In FY08, TIC reported five new tenants (UIQI², JL MediTech, Bio::Neos, Terpenoid Therapeutics and QI²) while five firms (Soligence, Corridor Media Group, Actual Safety, KemPharm and Applied Fullerene) “graduated” from the incubator. The park reported three new corporate tenants (Noel-Levitz, Ophtherion and Cargill Animal Nutrition).

Subcommittee Questions- UI Research Park (ORP) and Technology Incubation Center (TIC)

How many new FTE positions have you added since 2007? Will you provide a listing of all the FTE positions complete with job titles, salary and benefits for the position and whether the position is filled? If it is not filled, how long has the FTE position been open?

- No staff salaries have been paid from this source of funds since 2007. This level of support only provides partial support for one secretary and one associate director. The TIC/ORP state appropriation is leveraged with funds from other university revenue streams (UIRF patent and license revenues.)

How will you implement the across-the-board cut?

- A budget reduction will jeopardize our ability to continue to recruit tenants to the park and also compromise the services we can provide to our existing start-up companies, many of which are at a critical stage in their development. The timing at UI is particularly bad as, with the opening of the Bioventures Center, we are poised to stimulate much more faculty interest in exploring spin out companies in both health care and engineering now that we have quality facilities for the first time.

Provide us the list of suggested cuts you provided the Governor in November or December of 2008.

- ORP/TIC will reduce salary support and supplies to offset the budget cut of \$3787. Expenses will be shifted to other funding sources

If you were forced to cut your budget by ten percent, what suggestions would you have to reduce the budget and/or reduce the responsibilities of your department?

- Given how lean this operation is at the moment there are no easy alternatives other than to reduce staff and operations support, thereby limiting services at a time when the momentum to develop new companies has never been greater in Iowa.

What assets does your department have that can be leased or sold? What services do you provide that could be privatized or outsourced?

- The assets of the TIC/ORP consist of office equipment. The University of Iowa owns the land and buildings which are leased to the Research Park. This property is fully utilized and committed for University purposes.
- While routine park management could potentially be outsourced, the integration of these units with the other units on campus and with the UIRF and the leveraging with GIVF and other fund sources would not allow us to provide anywhere near this level of support for Economic Development and would not link with faculty.

What is the core mission of your department?

- The integrated units of TIC and the Research Park are focused on working with the Research Foundation and Office of the VPR and regional economic development entities to facilitate the development of start-up companies based on faculty research; develop strong seamless links that permit start-up companies to partner with various University core resources and faculty expertise, and; provide business and infrastructure support to allow the company to be successful.

Could you prioritize your department's responsibilities as it relates to the budget?

1. Work with the faculty and the University of Iowa Research Foundation to develop and support new start-up companies which emerge from faculty research
2. Work with IDED and other regional economic development agencies to recruit technology based tenants to the park and the corridor region
3. Support the companies in the research park

What services or programs does your department provide that are similar or over-lapping with services or programs provided by other departments?

- There is no overlap with these activities anywhere else in the University, and in fact the economy of scale produced by the integration of TIC, ORP and the University of Iowa Research Foundation (UIRF) under the Office of the Vice President for Research has enabled us to achieve much more than we could have with staff and resources spread among other units.

Name programs or services in your department that the expense of providing the program or service exceeds the benefit provided.

- Technology transfer and economic development are important factors to the overall success of the State of Iowa. In recent years, the University of Iowa has made significant progress in changing the culture with our faculty and creating the infrastructure needed to succeed in technology transfer. Our success has been built on leveraging funds from GIVF/Battelle and private partnerships. At this time in our state's economy, maintaining this modest support for TIC/ORP will provide resources that will continue to grow our momentum

How many new FTE positions have you added since FY 2001?

- TIC/ORP has not added any FTE since FY2001.

The Center for Advanced Drug Development (CADD)

Direct economic development appropriations to the Center for Advanced Drug Development (CADD) at the University of Iowa totaled \$118,278 (after cuts).

CADD is an FDA registered laboratory, providing analytical and quality control support to pharmaceutical and biotechnology companies and university investigators requiring regulatory validation of methodology in support of drug development and manufacturing. It now operates under the umbrella of The Division of Pharmaceutical Services for manufacture of clinical dosage forms for a wide array of clients in the pharmaceutical and biotechnology industry. CADD has 35 active clients and employs 16 staff. In addition to the ED funding from the state, income generated from the service functions maintain the unit in a self-supporting fashion. This combined unit provides the UI and Iowa with a unique asset as we market our region to startup biotech and pharmaceutical companies by providing contract analytical and manufacturing services to emerging drug development companies, allowing them to invest in clinical research, rather than costly processing facilities.

Subcommittee Questions

How many new FTE positions have you added since 2007? Will you provide a listing of all the FTE positions complete with job titles, salary and benefits for the position and whether the position is filled? If it is not filled, how long has the FTE position been open?

- The Center for Advanced Drug Development has not added any new FTEs since 2007.

How will you implement the across the board cut?

- The appropriations we receive are used to support salaries in our Division. Budget reductions would force the Division to support these salaries with funds from another revenue account. Consequently, the lost revenues would compound the resource problem and threaten the financial viability of this unit to perform essential services. Reductions beyond salaries would occur in the areas of laboratory supplies, offices expenses, hourly employees, or equipment/building repairs.

Provide us the list of suggested cuts you provided the Governor in November or December of 2008.

- CADD will reduce salary support to offset the budget cut of \$3069. Expenses will be shifted to other funding sources.

If you were forced to cut your budget by ten percent, what suggestions would you have to reduce the budget and/or reduce the responsibilities of your department?

- A 10 percent budget cut would severely impact the Division's ability to function and further reduce both revenue and the attractiveness that this unit, along with Pharmaceutical Services, has to companies seeking FDA approved services as well as a potential resource for start-up pharmaceutical and biotechnology companies examining Iowa as a location.

What assets does your department have that can be leased or sold? What services do you provide that could be privatized or outsourced?

- The assets of the Center for Advanced Drug Development consist of specialized scientific instrumentation that fits the needs of a pharmaceutical analytical laboratory, and given the advances in technology and the depreciated values would not be profitable to sell.
- The services of the Center for Advanced Drug Development cannot be outsourced.

What is the core mission of your department?

- This Center provides non-production services and contract services relevant to the clinical trials process which complement those of the Division of Pharmaceutical Service in full compliance with all FDA good manufacturing practices.
- This Center addresses a crucial economic need to shorten the lead time between new pharmaceutical discoveries in the laboratory and their commercialization in the market place. In addition, as the state looks ahead to an investment to enhance its biotechnology infrastructure for both animal and human health, the Center will play a major role (along with the Center for Biocatalysis and Bioprocessing and the Division of Pharmaceutical Service) in the University's ability to interact with the biotechnology industry and attract start-up pharmaceutical and biotechnology companies to Iowa.
- Initially, clients were drawn from the existing client base of the Division of Pharmaceutical Services. New clients are being drawn from biotechnology companies, manufacturers of pharmaceutical excipients, and a growing pool of U.S. and foreign pharmaceutical firms.

Could you prioritize your department's responsibilities as it relates to the budget?

- The state appropriation for the Center for Advanced Drug Development supports key laboratory personnel only.

What services or programs does your department provide that are similar or over-lapping with services or programs provided by other departments?

- The Center for Advanced Drug Development is a very unique service division and does not overlap in its services with any other departments.

Name programs or services in your department that the expense of providing the program or service exceeds the benefit provided.

- Historically, the Center for Advanced Drug Development has been profitable, as service divisions should be. There are no programs or services whose expense exceeds the benefit provided.

How many new FTE positions have you added since FY 2001?

- The Center for Advanced Drug Development has not added any new FTEs since FY 2001. In fact, two FTEs have been removed since then.